

Testimony
of
Edwin M. Norse

Relating to Senate Bill 840: ACC, The Elimination of the Office of the Consumer Counsel, The Office of the Healthcare Advocate, the Office of the Ombudsman for Property Rights, and Certain Legislative Commissions

March 16, 2009

Q. Would you please state your name and address.

A. My name is Edwin M. Norse and I reside at 8 Jobs Gate 1 in Portland, Connecticut, 06480.

Q. And what is your purpose here today?

A. I am here to testify concerning the suggestion that the Consumer Counsel is either no longer necessary or can no longer be afforded, as proposed in the governors' budget.

Q. And what is your general summation?

A. I would answer that with a little story. When our six children were growing up we continued the tradition of our own parents, often reading them stories before bed time. Some of those same stories I now read to my grandchildren. One of those stories, always a favorite, was called "It's Been a Terrible, Awful, No Good, Very Bad Day." There was something about that story that made it a choice over and over again. Perhaps because even as a child you will occasionally have a terrible, awful, no good very bad day.

Q. And how does that relate to this proposal.

A. When I heard of this proposal, I was reflecting back on my experiences with the checks and balances that are necessary in the regulation of utilities, having served on all sides of the fence. I would suggest that the elimination of the Consumer Counsel would be a terrible, awful, no good, very bad, idea.

Q. And have you previously testified as to utility matters?

A. Yes, I have testified as an expert witness for over thirty years before regulatory bodies, courts and in legislative committees on matters of this nature.

Q. And what is your background relating to this statement.

A. I have had the privilege over the years of working on all sides of the fence on this one.

I began in the largest municipal utility in a state north of here, in an environment where I was responsible the financial aspects, the regulatory function, and the power supply resources. It was a dream job where we lived through some tough markets, the first oil crisis, and built a significant wood fired generation source, and did some of the first significant work in the energy conservation areas. As a municipal utility, we were particularly responsive to the customer as a part of our heritage, and the governance and oversight of the political system.

After a short sojourn in a different industry, I returned to utilities as the CFO of Vermont's second largest electric utility, another position that I enjoyed immensely. There were good times, and bad times, and significant power supply resource decisions, and even the evolution of a retail marketing company, for which I was responsible for a team that raised the venture capital. I also had oversight of a propane gas entity, was involved in financing of re-built hydro electric facilities, the wind farm located in Searsburg, Vermont, and in management of energy efficiency efforts.

I have since done consulting work for a number of years. In the 1999 – 2003 period, I was employed by the Vermont Public Service Board as a Special Master relating to the oversight of a probationary period of Citizens Utilities electric assets in that state. That oversight was amazingly complex, since Citizens, headquartered here in Stamford, has an SAP system that accumulates financial information from all of its entities, and the correction of the accounting problems associated with their Vermont operations was no small task. It also involved a complete re-inventory of all plant and equipment, the likes of which I have never before or since heard of, to assure that the system provided information with a veracity that the regulators could depend upon in the setting of rate. Another dream assignment.

Since then I have worked primarily in the financial areas, but also continued consulting in electric and gas utilities, including work for an electric cooperative (financial and power supply) a natural gas company (system expansion), and on governance issues relating to the long term strategic planning of one of the reliability councils (WECC) that is charged with the electrical reliability in the eleven western states and parts of Canada and Mexico.

So I know how the system works, how it can work best, and the various essential elements that all parties, including consumer advocates, can bring to the table. It is a system that provides its customers with billions of dollars of energy, and should do so at the least reasonable cost.

Q. So what are your conclusions from this background as it relates to this proposal?

A. My basic conclusion is that I could not think of a worse point in time to have something like this on the table. We are at a point in time where we are in drastic need of reviewing and modifying our approach to what "free enterprise" means. Our economy is under enormous pressure. We are attempting to understand where additional regulation, not less regulation, is necessary, to protect the general public. And we are in an environment where energy volatility is creating havoc in all of our lives. So I cannot think of a worse situation of timing.

Q. Could you please elaborate more specifically on why you feel this is a terrible proposal at this time.

A. Yes, First I think you have to look at the overall. I would say there are at least thirteen significant factual issues you should consider. Let me give you a bakers dozen.

1) Connecticut is in the position of having among the highest rates in the nation.

2) You are served primarily by two large utilities for the purposes of electricity and gas

3) You have had one of the largest bottlenecks to power transmission in New England, only recently addressed, and only after the ISO proposed rules that made you pay dearly for the lack of fixing that situation. Over a billion dollars for transmission "congestion" comes to mind.

5) You have done well in the past in attracting and retaining industry in this state, but have to understand that that industry lives and competes in a world market, and that electric costs are a particularly large item in the manufacture of products. High costs put your industries at a competitive disadvantage.

6) The retailing of electricity by others, envisioned over a decade or so ago, has not brought the lower rates you expected, and in fact, to a large degree, has been a failure.

7) One of the reasons that opening up to retailing has not worked, is because generation is now in the hands of a small number of ownership entities, who understand well how to charge market price, often based on the highest cost marginal unit price.

8) You are still far from addressing the potential for conservation and renewable resources, although significant progress has been made, in no small part due to the efforts of your Consumer Counsel, and its efforts in coordination with the Connecticut Energy Efficiency Fund. These are also key elements that would be significantly affected.....at the worst possible time.

9) Although areas of the state have been open to new generation, others have not, and the new generation is not in proximity to the loads. In addition, you have a number of old units along the coast, that are being extended well beyond any of their normal life.

10) You will continue to be a very high cost energy state, and that will mean it is all the more necessary to watch every dollar spent, to assure that what results is in the public interest.

11) We are, and will continue to be, whip sawed by significant volatility of world based energy prices, and chaos, and unaffordable results, at the consumer level.

12) We are currently in the most uncertain financial environment since the 1930s. All the more need for regulatory oversight and advocate scrutiny as we face these challenging times and the unknowns that will likely result. Regulation only works well where there is foresight, questioning, and alternative viewpoints and hypothesis. Review and forecasting is as much art as it is science. Again, all the more reason to have rate changes watched closely.

13) The revenues of the two largest electric utilities and the two largest natural gas utilities last Year totaled \$4,300,000,000. Since these are regulated monopolies, that is a lot of zeros to keep watch over.

Q. So how do these problems relate to the Consumer Counsel?

A. The Consumer Counsel in this state is the entity that must act as a critical piece of the checks and balances that are necessary in a monopoly situation. Utilities are natural monopolies. Our ancestors came to understand the need for that in the Great Depression, an exercise that it appears we are trying to repeat. The evolution of the Securities and Exchange Commission, the Federal Power Commission (now FERC), the evolution of state regulation and commissions at the state level, and particularly the *Hope vs. Bluefield* decision, we all were products of this historical regulation of utilities that evolved.

A very significant part of that regulation is the advocacy function, performed in this state by the Consumer Counsel, and in other states by similar entities. They are all generally funded by ratepayers through electric rates, since they perform the function of providing the expertise that is necessary to counter some of the proposals that come forth from utilities when they want to build things, increase rates, etc. etc.

You also have to understand that part of the capitalistic system is that private entities have as a key goal the increase in wealth of their shareholders. Shareholders place great pressure on management to produce increased earnings per share. I was a utility CFO, I understand that concept. All the more reason to have a counter balance that is there in behalf of the consumer, with expertise necessary to counter those things which are not properly balanced from time to time.

- Q. So what do you suggest will happen if the budget eliminates this function.
- A. I would suggest that you will find yourself at the mercy of change that is slanted toward investment and return, and not necessarily sufficiently counterbalanced by the interests of the public.
- Q. But can't the DPUC or the Attorney General and others serve this function.
- A. First, the DPUC is there to be quasi judicial. The judge is not the person who should also be the advocate. The Attorney Generals office is also a general advocate, as it comes to the execution of all law in the state, and has an enormous number of day to day issues on the plate. Even if you expected to have this function performed by the AG, it is highly unlikely that he would be able to do so without the additions of the same sort of technical staff now employed by the Consumer Counsel. In addition, the AG has already testified to the issue in these chambers, suggesting that the elimination of the consumer counsel would be a bad mistake. Finally, the issues in a rate case, or siting review s, are highly complex, and the resources of the proposer are immense, given the orientation toward shareholders. In those situations, you are already in a David vs. Goliath arena. Someone has to continuously challenge Goliath, and that someone in your system is the Consumer Counsel.
- Q. Are you suggesting that there is any bad intent here on the part of utilities.
- A. Certainly not. Having worked in or with utilities most of my life, I could tell you story after story of how dedicated and efficient they are at keeping the lights on. Amazing, in fact, as compared to other countries throughout this world. But given the vast costs and capital intensity of utilities, and our dependence on them for the lifeblood of energy that they produce, you need to have checks and balances –that is why you need the DPUC & the Consumer Counsel.
- Q. So what is your suggestion.
- A. You need to retain this function. Particularly in this day and age, where our economy is turning into a train wreck, in large part due to the “unbridling” of capitalism. If you wish to retain employment, manufacturing, and all the other entities whose life blood depends upon a low, reliable cost of energy, now is not the time to meddle with a part of the system that is obviously working.
- Q. When you say a system that is working what do you mean?
- A. The Consumer Counsel has already provided information as to their effectiveness in the rate case challenges that they have made over the recent past, which is in the range of billions of dollars. That is not something we should dismiss, and is the major reason you need to retain this function with its staff and abilities.

Q. Have you or are you currently working in behalf of any entity in the State of Connecticut, either utility, public entity, or regulatory, for recompense.

A. No.

Q. Are there any other comments that you would wish to make.

A. Yes. When I was a child, at the age of nine, I was deemed old enough by my father to work in the woods with him. He was a horse logger. At the time he was cutting on a piece of low mountain called Crow Hill, in Arlington, Vermont. I loved working with him and the big draft horses, pulling the logs down the skid row and out into the marshalling area, separating them into logs and stacking pulp. Then waiting for the truck to come. It was mighty hard work and one gained an immense appreciation of the great skill and understanding that a horse possesses.

But take the harness off that horse at the end of the day, and there was one place he would head.....a-yuh, straight for the barn, at an impressive rate of speed. Turns out he knew where the hay was. I know. That first ride on his bare back down the mountain as a nine year old trying to hold on to his mane, was one fearful , scared as hell, event. No bridle, no control.

I would suggest you do not want to go without a Consumer Counsel in this state.

Q. Any final thoughts?

A. Yes, I am sure glad I was not the person who proposed this idea to the Governor. I believe her intent to be good, in the most trying of circumstances. But whoever suggested this one had best run and hide, or find a way to suggest to her a 180 degree reversal in direction.

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